

Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements

Department of the Treasury
P.O. Box 2508 - EODQA, RM 7009
Cincinnati, OH 45201

CERTIFIED MAIL [REDACTED]

Date: [REDACTED]

Employer Identification Number:
[REDACTED]

Person to Contact:
[REDACTED]

Telephone Number:
[REDACTED]

(Fax [REDACTED])

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

You were formed as a [REDACTED] non-profit association by a Constitution adopted on [REDACTED]. Your Constitution provides that you are devoted:

- (1) to the encouragement and improvement of tennis officiating;
- (2) to the recruitment and training of umpires to officiate fairly and impartially;
- (3) to the certification of professional competence of its members; and
- (4) to the staffing and officiating of tennis events on a fee basis.

Your income is derived primarily from fees collected from tennis tournaments and meets, staffing fees and an insubstantial amount coming from membership dues. The majority of your expenditures consist of fees paid to umpires and referees.

Your membership consists of two classes that include dues paying members and honorary members. Dues paying members must be nominated by a member of your association or by written recommendation by an official of another recognized [REDACTED]. In addition, they must have completed a membership application, paid the required annual membership fee, be in good standing with the USTA and, be certified or working toward certification during the next calendar year. An honorary member may be elected by a majority vote of the Board for special service to tennis or to the association. Honorary members are elected for life but are not required to pay annual dues and are entitled to voting privileges.

Section 501(c)(6) of the Internal Revenue code provides for the exemption from Federal income tax for organizations which are business leagues, not organized for profit, and no part of the net earnings of which inure to the benefit of any private shareholder or individual.

[REDACTED]

Section 1.501(c)(6)-1 of the Regulations defines a business league as an association of persons (the term "persons" includes legal entities such as trusts and corporations) having a common business interest, whose purpose is to promote the common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities are directed to the improvement of business conditions of one or more lines of business rather than the performance of particular services for individual persons.

In our initial contact letter, we advised you that the activities of a business league must be directed toward the improvement of business conditions of one or more lines of business in order to qualify for exemption. We further stated that a business league may promote the general commercial welfare, but is not required to do so. Further, the activities of any organization cannot be primarily directed to the performance of particular services for individual persons.

In your reply you indicated that you are an association of persons interested in promoting amateur tennis. As such, tennis tournaments need trained, qualified umpires certified by the United States Tennis Association (USTA) in order that tournaments are recognized as sanctioned tournaments. Tournament directors, organizers and referees therefore, call upon you to provide qualified umpires for the tournaments in your geographic area. You stated that your members go through specific training, testing and evaluation. Your position is that you do not operate for profit; however, member's umpiring opportunities are enhanced by your work with other organizations and businesses in their efforts to promote tennis tournaments.

In Revenue Ruling 56-65, 1965-1 C.B. 199, it was held that the furnishing of particular information and specialized service to members through publications and other means to effect economies in the operation of their individual business constitutes the performance of particular services for individual persons.

Revenue Ruling 57-453, 1957-2 C.B. 310, held that an organization that engaged in the publication of the anthologies of its members and which entered into contracts for programs on the radio and television based on the anthologies, served as a vehicle for the publication of materials of its members by calling attention to their professional work and thereby increased the salability of the writers' efforts. It was determined that the organization was engaged in a business for profit and was not entitled to exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code.

Likewise, in Revenue Ruling 76-409, 1976-2 C.B. 154, it was held that an organization of individuals in the business of furnishing finance adjusting services, which assigns exclusive franchise areas to its members and publishes and distributes to their potential customers a directory containing members' names and addresses, is performing particular services for its members and does not qualify for exemption under section 501(c)(6) of the Code.

Revenue Ruling 59-234, 1959-2 C.B. 149 regards a real-estate board that, in addition to carrying on functions similar to those of organizations ordinarily exempt under section 501(c)(6) of the Code, operated a multiple listing service for its members. It was shown that the multiple listing service accounted for 75 percent of the board's income and 80 percent of its expenses.

[REDACTED]

This organization was considered to be rendering particular services for its members and was held not to be exempt from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

Revenue Ruling 67-251, 1967-2 C.B. 196 ruled unfavorably on an organization that extended financial aid and welfare services to its members. It was held that the net earnings of the league inured to the benefit of private individuals through furnishing financial aid and welfare services to its members and it was not eligible for exemption, even though its financial aid to members was minor in relation to its other activities, which were directed to improvement of business conditions in a line of business.

Your purposes, as stated in your governing document, appear to be directed to the improvement of the game of tennis through the conduct of training umpires to officiate tennis matches. You state that all of your activities and goals are directed toward the improvement and enhancement of amateur tennis tournaments for men, women, college students and juniors. However, the information in your application indicates that providing certified tennis officials to tournaments throughout the year represents 70% of your resources and expenditures with only approximately 10% being devoted to educational type activities.

While it is undoubtedly beneficial to the amateur tennis associations your area to have a centralized resource for obtaining qualified officials, your role in this activity also furthers a substantial non-exempt purpose, in this case, securing employment fees and offering job assignments to the individual members of your association. This is your primary activity and constitutes a particular service for your members.

You are similar to the organizations described in the Revenue Rulings cited, particularly Revenue Ruling 59-234 concerning a multiple listing service for real-estate agents. Even the organization described in Revenue Ruling 67-251 that was also engaged in activities that were not directed to improvement of business conditions in a line of business, was not eligible for exemption under section 501(c)(6).

In Revenue Ruling 61-170, 1961-2 C.B. 112, an association of professional private duty nurses and practical nurses that supported and operated a nurses' registry in order to afford greater employment opportunities for its members was considered under both sections 501(c)(3) as well as 501(c)(6) of the Internal Revenue Code.

The organization was formed for the purpose of organizing private duty and practical nurses for their mutual benefit and in order to make their services more readily available when needed by the general public. The organization maintained a registry of its members showing their respective qualifications and the types of services they perform. Reference and placement from the register was made on a rotating basis upon a request for nursing services. Continued membership in the organization was contingent upon continued demonstration of ability and the adherence to ethical standards prescribed by the organization.

The ruling holds that the organization was engaged primarily in the performance of personal services by operating an employment service principally for the benefit of its members

[REDACTED]

and not free from substantial private considerations in the operation of its nurses' register. It functioned substantially similar to that of a commercial employment agency and therefore engaged in a regular business of a kind ordinarily carried on for profit and thereby, rendering particular services for individual persons rather than promoting the general business conditions of the nursing profession.

Even though you did not request consideration under section 501(c)(3) of the Code, the rationale regarding this issue is essentially the same. The fact is, that an organization that maintains a registry of its members and that assigns them to places of employment, is not entitled to exemption from Federal income tax as an organization described in section 501(a), either as a 501(c)(3) or 501(c)(6) of the Internal Revenue Code.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in Section 501(c)(6) of the Code. In accordance with this determination, you will continue to be recognized as an organization that is subject to Federal income tax.

If you agree with our determination, please have a principal officer sign and return the enclosed Form 6018, consent to Proposed Adverse Action. If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, laws and any other information to support your position.

If you want a hearing, please request it when you file your appeal, and you will be contacted to arrange a date. The hearing may be held at the regional office or, if you request, at a mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

Appeal submitted which do not contain all documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone number are show in the heading of this letter.

Sincerely,

[REDACTED]

[REDACTED]

Director, Exempt Organizations
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Enclosures: Publication 892; Form 6018